

## **APPROVAL PROCESS FOR FINANCIAL ASSISTANCE (AND POTENTIAL SALES AND USE TAX EXEMPTION) FOR THE PURCHASE OF ZEV MANUFACTURING EQUIPMENT**

### **STEP ONE:**

Applicant submits Application. (See attached draft [application](#).)

Note: Application submission includes, among other things: non-refundable application fee<sup>1</sup>; identification of Applicant's financing team (counsel, financial advisor, underwriter/placement agent); identification of type of financial assistance being sought from CAEATFA, as required by statute in order to make Applicant a "participating party" (Pub. Res. Code Sec. 26003(f)) and eligible to enter into a leaseback arrangement with CAEATFA. (Financial assistance may be in any of the forms set forth in Pub. Res. Code § 26003(e).)

### **STEP TWO:**

Applicant develops a Time and Responsibility schedule with all parties, to be finalized with/and agreed to by CAEATFA staff<sup>2</sup>.

### **STEP THREE:**

Applicant obtains Board of Equalization determination that the deal meets all necessary requirements and will be eligible for a sales tax exemption, as well as any additional documentation required by CAEATFA prior to board approval. (Note: Applicant may need to secure California's reseller's license or create a special purpose entity (with a reseller's license) in preparation for STEP FIVE.)

### **STEP FOUR:**

Applicant gets resolution from the CAEATFA Board approving the proposed transaction, conditioned on certain events in Steps Five and Six, and authorizing staff to enter into the necessary contracts to complete the transaction accordingly.

### **STEP FIVE:**

Applicant, or its special purpose entity, uses its California reseller's license to purchase the specified ZEV manufacturing equipment wholesale, thus avoiding sales and use tax. (If Applicant or its special purpose entity does not have a California reseller's license, it will need to obtain one.)

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<sup>1</sup> The applicant must pay an application fee to CAEATFA upon submission of the application. Include a company check drawn on a responsible bank or trust company in the amount of .0005 (one twentieth of one percent) of the amount of financing requested from CAEATFA, with a minimum of \$250 and a maximum of \$5,000. The check shall be made payable to "CAEATFA Fund." Application fees are nonrefundable and shall be applied to the payment of administrative fees if the project is financed.

<sup>2</sup> This document includes a description of the deal structure, identification of all necessary documents, schedule for deal, and identification of responsibilities by various parties.

**STEP SIX:**

Pursuant to lease agreement, Applicant, or its special purpose entity, sells to CAEATFA the ZEV manufacturing equipment purchased wholesale pursuant to STEP FIVE. This transfer may be exempted from sales and use taxes as a transfer from a participating party to CAEATFA.

**STEP SEVEN:**

Applicant and CAEATFA enter into a lease, whereby CAEATFA transfers to Applicant the ZEV manufacturing equipment referenced in STEP SEVEN pursuant to the terms of the lease. All necessary documents signed.

**STEP EIGHT:**

Upon complete installation of all the ZEV manufacturing equipment referenced in STEP SEVEN, and pursuant to terms of the lease, ownership of all the ZEV manufacturing equipment is transferred from CAEATFA to the Applicant. (This transfer may be exempted from sales and use taxes as a transfer from CAEATFA to a participating party.) All necessary documents signed.

**STEP NINE:**

At time of the financial closing, all Applicant's project fees are due: CAEATFA's administrative fees (for Applicants meeting CAEATFA Small Business criteria): six tenths of one percent of the financing requested if the financing is greater than \$5 million, five tenths of one percent of the financing requested if financing is greater than \$2.5 million but no greater than \$4.999 million and four tenths of one percent, of the financing requested if financing is no greater than \$2.499 million; for all other Applicants, six tenths of one percent of the financing requested) plus any reasonable and necessary out of pocket expenses of CAEATFA; bond counsel fees; Attorney General's Office fees; State Treasurer's Office fees (Public Finance Division and Debt Limit Allocation Committee); Trustee; financial advisor; underwriter; etc.

\* Possible documents might include: (1) bond documents (official statement and bond purchase agreement for publicly offered bonds); indenture/ trust agreement including default provisions (between CAEATFA and bond trustee); lease/ installment sale agreement, including default provisions (between Applicant and CAEATFA); note/ bond evidencing financial assistance from CAEATFA; (2) sales or lease back agreement, or an installment sales agreement between CAEATFA and Applicant (identifies how Applicant will pay debt service on bond private placement); (3) Applicant Project Resolution for approval by CAEATFA board and prepared in conjunction with bond counsel; (4) closing documents such as certification that CAEATFA has authority and adopted resolution, legal opinions, DOE documents, etc.